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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

Computer Reservations System (CRS) Regulations	Docket Nos. OST-97-2881 — 143 OST-97-3014 — 12 OST-98-4775 — 58

COMMENTS OF GALILEO INTERNATIONAL, L.L.C.
IN RESPONSE TO SUPPLEMENTAL
ADVANCE NOTICE OF PROPOSED RULEMAKING

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COMMENTS OF GALILEO INTERNATIONAL, L.L.C. IN RESPONSE TO SUPPLEMENTAL ADVANCE NOTICE OF PROPOSED RULEMAKING

Galileo International, L.L.C. ("Galileo") hereby submits its comments in response to the Department's Supplemental Advance Notice of Proposed Rulemaking concerning computer reservations systems, 65 Fed. Reg. 45551 (July 24, 2000) ("Supplemental Advance Notice").

INTRODUCTION

As a preliminary matter, Galileo provides a brief discussion of its current business. In addition to its core global distribution services business, Galileo is also involved in two other lines of business -- Internet initiatives and telecommunications/network services. [1]

Galileo operates the Apollo® system, one of four computerized reservation systems ("CRSs") operating in the United States, and the Galileo® CRS, operating in numerous countries outside the United States. Galileo is connected to

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[1] For the second consecutive year, Galileo has been named to Information Week's annual top 500 ranking of the most innovative users of information technology. Galileo, ranked 102 in this year's survey, was the only global distribution service to be included on the Information Week list.

virtually all major travel suppliers around the world. Through its Apollo® and Galileo® CRSs, Galileo currently provides CRS services for over 500 airlines, 45,000 hotel properties, and 41,900 agency locations in 107 countries. Galileo and its predecessors have made a huge investment in computer capacity, software, and telecommunications infrastructure over the years to continually improve services. Today, Galileo's CRSs process 255 million information requests *each day*, or more than 92 billion electronic transactions each year.

In 1999 Galileo became the first global distribution services company to be majority-owned by the public. Airline ownership of Galileo has declined from 65% in 1998 to just over 27% currently.[2]

Galileo has expanded its core global distribution services business in the past few years and continues to expand these services to new markets, suppliers, and subscribers. Galileo has recently developed a variety of innovative products designed to allow travel agents, corporate travel managers, and travel suppliers to operate more efficiently. These products include:

- Viewpoint™ 2.0 (a major enhancement of an intuitive interface that makes it easier to use the Apollo® or Galileo® CRS)[3]
- Private Fares II™ (a feature that significantly reduces travel agent effort associated with maintenance of negotiated fares)

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[2] Of the total outstanding shares of common stock of Galileo, United Air Lines and SwissAir own 17.83% and 7.83% respectively. Five other airlines (Aer Lingus, Air Canada, Alitalia, Austrian Airlines, and Olympic Airways) have minor holdings that total 1.49% of the outstanding shares.

[3] Among other features, Viewpoint™ eliminates the need to use most traditional technical CRS commands and codes. Instead, users can access Apollo, conduct searches, and complete booking transactions using the PC mouse to "point and click," or through simple-to-use text boxes.

- Automated Service Fee (a fill-in format screen that automatically calculates net commissions to an agency and eases the transition for agencies now assessing service fees to generate revenue)
- Preferred Availability (a display option providing subscribers with detailed information for all member carriers of an airline alliance on a single screen)
- MIDT Impact™ (an Internet-based marketing information data transfer product that incorporates both CRS data and analysis tools).
- FocalpointNet™ (a tool that allows subscribers to use the Apollo system over the Internet)

Over the past few years, Galileo has continued its efforts to respond to the interests of its CRS customers. In 1998, following suggestions from many carriers, Galileo abolished booking fees for travel agent entries of passive segments that are not used for ticketing purposes. More recently Galileo entered into a partnership with the American Society of Travel Agents to explore ways to resolve disputes between travel agencies and Galileo. In the past few years Galileo has offered smaller packages of marketing data, such as Selective MIDT, which has made such data more affordable for small airlines. Galileo has also introduced more flexible contract provisions to accommodate the needs of travel agents that encounter business difficulties.

Galileo has also developed a substantial Internet business, offering travel suppliers and travel agents important new options for competing on-line. Galileo already has helped several hundred travel agents to create an on-line presence using Travelpoint™ functionality. Earlier this year, Galileo expanded its Internet services with the acquisition of TRIP.com, a leading on-line travel service and technology provider. This move bolstered Galileo's own Internet initiatives by adding an established Web site that provides schedule and fare information and booking capabilities to consumers. Galileo is in the process of enhancing the services offered through TRIP.com.

Galileo is currently positioning itself to take full advantage of the Internet's potential growth by rolling out new business models for selling travel on-line. This will include TravelGalileo.com™, a "super travel agency" Web site that combines the best of e-commerce with professional service from local travel consultants, promoted by Galileo and participating agencies. This also includes XML Select, an advanced application interface that allows Galileo customers to create customized Web-based booking engines connected to the Apollo and Galileo computer systems. Galileo's current and planned Internet services are described further at pages 13-15 below.

Galileo is also taking major steps to develop its network services business. Galileo currently operates one of the world's largest communications networks. It is in the process of replacing its current network with a new, more powerful network that will provide end-to-end reliability and service to existing and potential customers. This major infrastructure investment will provide Galileo with hubs in more than 100 countries. The new network will not only improve the functioning of Galileo's global distribution services; it will provide important business potential for network services in other sectors of the travel industry and beyond the travel arena. Galileo has formed a subsidiary, Quantitude, Inc., to fully exploit its cutting-edge network technology.

Galileo looks forward to competing vigorously in all of these lines of business and believes that its ability to compete should not be hobbled by unnecessary or inappropriate regulation. In particular, Galileo should have the ability to compete on the same basis as others in similar lines of business.

DISCUSSION

In this section, Galileo provides comments on the two issues as to which the Department requested information in its Supplemental Advance Notice.[4] Galileo discussed other topics related to this rulemaking in its earlier comments and reply comments, filed on December 11, 1997, and February 3, 1998, respectively.

I. REDUCED TIES BETWEEN CRSs AND AIRLINE OWNERS

Galileo continues to believe that the diminished role of airlines in the ownership and operation of the CRS business removes any rationale for most aspects of CRS regulation. But Galileo's primary concern is that, whatever level of regulation the Department chooses, it must be applied evenhandedly to all CRSs, regardless of their particular circumstances. Thus, if some CRSs continue to be regulated, the Department should ensure that the rules extend to all systems, not just those with some degree of airline ownership. Alternatively, the Department should eliminate

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4 Galileo notes that both the CRS business and the Internet business are in a state of flux. Within the past year, several changes in CRS ownership have occurred, and new on-line travel services have emerged. Undoubtedly there will be new and unanticipated developments in the coming months. Galileo offers its current perspectives on the issues raised by the Department, with the caveat that future developments may suggest new perspectives.

In view of the likelihood that significant changes will occur in the near future, any rules the Department may adopt should have an early sunset date, so that the need for rules can be revisited relatively soon.

the rules and allow all CRSs to compete freely in an unregulated environment. It would be inappropriate, and potentially harmful to competition and consumers, to have a situation in which one or more systems were unregulated, while the others were subject to the CRS rules.

A. In earlier comments in this proceeding, Galileo noted that ownership of CRSs had become increasingly diversified and that the role of airlines in CRS governance and operation has decreased over time. Galileo suggested that, as a result, the purported underpinnings for CRS regulation were disappearing and that there clearly was no basis for any significant increase in such regulation.[5]

As the Department recognizes in its Supplemental Advance Notice, that trend continues. Sabre, the largest U.S. CRS, no longer has any airline owners (although it appears that American Airlines and Southwest Airlines continue to play significant roles in marketing the Sabre system to travel agents). As described above, almost 73 percent of Galileo shares are now owned by the public, and no single airline owns more than 18 percent of the Galileo shares. For many years, Galileo management has been separate from the management of its airline owners. Amadeus recently increased its level of public ownership, although a substantial portion of the interests in that system is still owned by airlines or their affiliates. Only Worldspan continues to be owned solely by airlines (or airline affiliates).

This further reduction in ties between airlines and CRSs reinforces Galileo's earlier conclusion that there is little basis for most CRS regulation. To the

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5 *See* Comments of Galileo International, L.L.C. in Response to Advance Notice of Proposed Rulemaking, filed Dec. 11, 1997, at 3-11.

extent CRS operations may have been influenced by the interests of airline owners, such interests play little or no role in CRS operations now. Moreover, in view of the resources now available to travel agents, it is simply not credible to describe CRSs as essential facilities.[6]

Galileo believes that CRSs, like other high tech businesses, should be free to compete in an unregulated environment, and that this will produce the best service for consumers and travel agents. We recognize, however, that many parties may press hard for continued CRS regulation, either because of outdated perceptions or because such regulation serves their own special interests. The industry has learned to live with the existing regulations, and Galileo therefore does not oppose continuation of the current regulatory regime for the immediate future, so long as the rules are applied evenly to all systems.

B. If CRS regulation is to continue, it must not favor some CRSs over others. To date, CRSs serving travel agents have been regulated uniformly in most respects. Within the existing regulatory framework, CRSs have engaged in vigorous competition, innovating to provide new services, and offering deep price discounts to win subscribers. If the regulatory landscape were to change, so that some CRSs had greater flexibility, the competitive situation would be distorted.

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6 Due to the proliferation of on-line travel services, advancing technologies that permit easy access to such services through the Internet, and software interfaces that allow subscribers to access numerous flight information sources and to switch between them with little effort, travel agents are not tied to information from a single CRS. A travel agent can easily use the same computer terminal to retrieve information from many different sources, not just its primary CRS. These developments undermine a key theoretical premise on which CRS regulation has rested.

It appears that all four U.S. systems are currently subject to the CRS rules (because all have either airline ownership or marketing assistance from airlines, or both).[7] But if circumstances should change, or if the Department should conclude for some other reason that one CRS is no longer subject to the rules, then, in order to preserve the competition that has thrived among CRSs to date, the Department must either (1) amend its rules to ensure that they apply equally to all CRSs, or (2) eliminate the rules, so that all CRSs can compete on the same footing.

The Department presumably may continue to regulate CRSs if they are marketed by airlines, and the airlines doing the marketing would also be subject to regulation. Moreover, as suggested in the Supplemental Advance Notice (65 Fed. Reg. at 45557), the Department could regulate by crafting rules that limit the conduct of all airlines (*e.g.*, by prohibiting carriers from discriminating among CRSs in their level of participation, or from tying airline benefits to choice of a CRS, or from entering into contracts for display preferences).[8] If the Department concludes that it cannot regulate in this manner, it should simply eliminate regulation of all CRSs, so as to ensure equal competitive opportunities.

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7 The CRS rules apply to air carriers or their affiliates that "own, control, operate, *or market*" CRSs for travel agents in the United States. 14 C.F.R. § 255.2 (emphasis added) A "system" is defined in part as a CRS "offered" by a carrier or its affiliate to subscribers. 14 C.F.R. § 255.3.

8 The Department already imposes some CRS-related requirements directly on airlines. This includes requirements that airlines provide CRSs with complete and accurate information on their flights and with information sufficient to identify code share, wet lease, and change-of-gauge service. *See* 14 C.F.R. §§ 255.4(f), 257.5, 258.5.

C. There is one respect in which regulation appears to be unequal at the present time, and the Department should move to correct that situation. While most CRS rules are addressed to the conduct of "systems," a few are addressed to "system owners." Among other things, system owners must participate in other CRSs to the same extent as they participate in their own systems. 14 C.F.R. § 255.7. A "system owner" is defined as a carrier or its affiliate that owns five percent or more of the equity of a system. 14 C.F.R. § 255.3.

Now that AMR has divested its ownership of Sabre, American Airlines could argue that it is no longer a system owner subject to the mandatory participation requirements of Section 255.7. Under this view, Sabre benefits from the requirement that United Airlines, Delta Airlines, Northwest Airlines, and all other airlines that own interests of five percent or more in a CRS participate in the Sabre system at the highest level. But, despite the fact that American continues to have marketing ties to Sabre, Galileo would not be in a position to invoke the CRS rules to require American to participate in Apollo® at the same level as it participates in Sabre.[9]

If CRS regulation is to continue, this discrepancy should be eliminated. Assuming American personnel continue to market Sabre, the apparent gap in coverage of the regulations could be addressed by extending the "system owner" requirements to airlines that market a CRS.[10]

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[9] Galileo's participation agreement does not contain a "most favored nations" clause, *i.e.*, a requirement that a carrier maintain a participation level at least as high as it maintains in other CRSs.

[10] To the extent a CRS-owning airline has an interest in favoring its own system and disadvantaging others (by participating at a lower level, thereby making the other systems less attractive to subscribers), an airline that markets a system presumably

If the Department decides not to extend the "system owner" requirements to marketers of CRSs, it should take other steps to ensure that all CRSs have an equal opportunity to obtain airline participation. For example, CRS participation requirements should be imposed directly on airlines, or at least on larger airlines. Such a rule would recognize that a CRS must have the participation of all large airlines at a high level of functionality to meet the needs of subscribers and travelers and to compete effectively. Requiring all major airlines to provide maximum information on their services to all CRSs would plainly benefit consumers.

D. Galileo believes it is self-evident that systems that are subject to more regulation will be competitively disadvantaged and have less flexibility compared with systems that are not regulated. For example, a system that was free to enter into whatever contract terms it agrees on with a subscriber would have more commercial opportunities than a system that is constrained by the existing CRS rules. Furthermore, as noted above, a regulated CRS would be disadvantaged if former owners of an unregulated CRS competitor were not subject to the participation requirements of 14 C.F.R. § 255.7. These sorts of discrepancies distort the competitive playing field and should not be permitted.

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has the same incentive. The Department has used similar reasoning in permitting systems to impose "most favored nations" provisions on airlines that market a CRS. *See* 62 Fed. Reg. 59797 (1997).

Amending the CRS rules to subject airlines that market a CRS to the "system owner" requirements would also address the concern raised by the fact that Southwest Airlines markets the Sabre system and refuses to participate in any other CRS. Southwest's refusal to participate in other CRSs, while participating in (and promoting) the Sabre system, both distorts CRS competition and disadvantages consumers.

E. Of particular concern, a regulated CRS would suffer competitive disadvantage if airline benefits could be tied to usage of an unregulated CRS competitor. A requirement that a subscriber use a particular CRS in order to obtain override commissions, discount fares, or other airline benefits can significantly skew CRS competition. Thus, if American were able to insist that travel agents in the Dallas area use Sabre in order to receive override commissions on American flights, or that corporate accounts headquartered in Dallas subscribe to Sabre as a condition of receiving special discounts for travel on American, it would be much more difficult for Amadeus to win subscribers in the Dallas area. These sorts of tying abuses have surfaced in a period when all CRSs and their owners were covered by the Department's rules. The competitive problem would increase substantially if prohibitions against tying were lifted for some CRSs and their owners and not others.

Galileo has previously argued that the Department should state clearly that its existing rules prohibit the tying of any airline benefit (*e.g.*, corporate discounts) to CRS usage. *See* Motion for Leave to File and Response of Galileo International, L.L.C., in Docket Nos. OST-99-5888 and OST-97-2881, filed Sept. 10, 1999. In recent years Galileo has become aware of more instances in which owners or marketers of competing CRSs have engaged in such tying practices.

It is also important that the Department take steps to ensure that the prohibition on tying applies in the case of corporate CRS subscribers. In-house corporate travel departments are handling increasing amounts of business and now constitute a substantial percentage of CRS subscribers. Some corporate subscribers are certified as travel agents and thus would be within the scope of the CRS rules, but others are not. Corporate accounts are vulnerable to pressure from any airline with which they have special fare arrangements. *See id.* at 5. Tying practices involving corporate accounts are becoming more common.[11] If the Department concludes that CRS regulation should continue, it should take steps to ensure that the prohibition against tying extends to all airlines and to practices involving corporate accounts as well as travel agency subscribers.

II. AIR TRAVEL DISTRIBUTION OVER THE INTERNET

Galileo does not see a need for the Department to consider CRS-style regulation of new and rapidly changing Internet distribution services. As in the case of CRS services, however, the most important point is that the playing field must be level, so that all Internet distribution services are subject to the same rules. Internet-based services offered by CRSs must not be hampered by restrictions that other Internet-based vendors do not face.

A. The Supplemental Advance Notice recognizes that increasing use of the Internet is producing "substantial changes" in airline distribution. 65 Fed. Reg. at 45552, 45554. These changes are proceeding rapidly, to say the least. The GAO reported that "Internet sales of airline tickets have already grown to $3 billion in

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[11] Galileo recently encountered a blatant example in which Northwest Airlines threatened to withdraw fare discount benefits after a corporate account switched from Worldspan to Apollo. *See* Exhibit A (letter from Northwest Airlines). In addition, a travel agency has recently reported to Galileo that American Airlines has been approaching the agency's corporate customers with an offer of discounted travel, accompanied by a requirement that the travel be booked and ticketed through the Sabre system. *See* Exhibit B, page 2, paragraph 8 (excerpt from American Airlines agreement) ("Customer agrees that all purchases pursuant to this Agreement will be booked and ticketed by Customer or an Agency of Record through the SABRE computer reservation system.").

1999," representing about 4 percent of total sales.[12] By 2003, on-line sales of leisure air travel *alone* are projected to account for nearly ten times as much, or almost $30 billion.[13] Internet sales of business air travel, which are not even included in that estimate, are likely to grow even faster. Business-to-business, or "B2B," e-commerce is rapidly becoming much larger than retail consumer e-commerce. Business travelers, and the companies they work for, will not hesitate to take advantage of the efficiencies of Internet distribution for airline travel

Galileo already offers Internet-based services to consumers and travel agents. Galileo's substantial e-commerce experience and assets have positioned it to provide reliable, robust service for Internet-based transactions. Many years before the commercial Internet even existed, the Apollo CRS was a B2B pioneer, providing an electronic transactions network for air carriers and travel agents to conduct on-line sales transactions. The Apollo network brought to carriers and agents the same kind of substantial benefits that the Internet now offers more broadly for other businesses: greater availability of more timely information; fast and easy electronic transactions; and reduced costs.

Galileo has recently expanded its Internet services to consumers with its acquisition of the TRIP.com Internet service.[14] The cutting edge technology of TRIP.com gives consumers access to the highest quality flight information and

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12 U.S. Government Accounting Office, "Effects of Changes in the Way Airline Tickets are Sold" (July 1999), at 13.

13 *Id.*

14 *See* http://www.trip.com.

industry-leading booking capabilities. Among other things, TRIP.com's intelliTRIP™ feature allows consumers to search multiple carrier Web sites to identify discount fares not otherwise available. The companyTRIP™ feature provides small- and medium-sized businesses with Internet-based tools to integrate negotiated rates, manage costs, and ensure compliance with company travel policies. With this feature, a company's employees can make their own travel plans and reservations directly on the Internet, with access to company-specific discounts and in accord with company travel policies.

Galileo's future business plans are built around an open systems architecture that is intended to promote integration and synchronization across multiple platforms and channels. That will allow the company, its customers, and individual travelers to exploit the possibilities of the Internet to the fullest extent. For example, Galileo architecture supports wireless initiatives like Galileo Wireless, which allows travelers to use Web-enabled personal digital assistants (*e.g.*, Palm Pilots), cell phones, and similar portable devices to check their flights, rebook reservations, and even be notified of flight delays, cancellations and other up-to-the minute information. This is available for bookings made through TRIP.com, and for those made through CRS subscribers.

Galileo supports travel agencies with Internet-based services as well. Galileo's TravelGalileo.com is designed to be an additional point of presence on the Web for participating agencies, serving as a seamless extension to traditional "brick and mortar" offices and business processes. Galileo's XML Select streamlines the process for Galileo's customers and their developers to create high-volume, Web-based booking engines using Extensible Markup Language (XML).

In addition, Galileo's FocalpointNet™ provides subscribers the ability to access Apollo directly over the Internet, providing substantially greater flexibility and cost savings. A travel agent can access Apollo remotely with a laptop, for example, while meeting with a client, or from home to make unanticipated changes to a client's reservation. FocalpointNet™ allows a small agency to operate Apollo® with only an Internet Service Provider ("ISP") in lieu of a dedicated telecommunications line for Apollo® service, while a larger agency may be able to open a new branch office more easily and quickly with FocalpointNet™.[15]

Galileo has more recently launched "e-Agent," an Internet portal that travel agents can access with the Viewpoint™ software, whether through the Apollo dedicated line at the subscriber's office or remotely using FocalpointNet™. The e-Agent portal provides links to a host of travel-related Web sites, both for information and for bookings, eliminating the need to surf the Web to search for relevant sites. With a few clicks, for example, an agent can easily move from the Apollo Viewpoint™ screen to Internet sites to obtain maps and driving directions for clients, reserve golf tee times, or access Internet-only airfares through TRIP.com's intelliTRIP™ service.

B. All of Galileo's Internet services face substantial competition. Carriers themselves offer Internet sites that allow customers to obtain flight

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[15] For subscribers or locations with a small number of PC workstations, using FocalpointNet™ with an independent ISP may provide lower connection costs than a dedicated line. For larger locations, dedicated lines will generally be more cost-effective, faster and more reliable than ISP services.

information, make bookings and purchase electronic tickets for that carrier's flights. Portal sites like Yahoo! and many others provide comprehensive directories of such carrier sites, making it easy for consumers to find them. A significant number of Internet sites offer multi-carrier information, booking, and ticketing as well. Sabre offers the Travelocity Web site, and well-established Internet services like Expedia, BizTravel, and others also compete directly with TRIP.com. A number of auction-style sites, such as Priceline, and discounters, such as Cheap Tickets, focus specifically on discount air travel.

As the Department is aware, a new competitor is also on the horizon: A consortium of five major carriers has recently formed a joint venture to launch Orbitz.com, a multi-carrier Internet booking site. Orbitz will apparently rely on the Worldspan CRS as its booking engine initially. Orbitz apparently plans to provide access to Internet-only fares, including the ability to book tickets, even during the initial period in which it will rely on Worldspan for most bookings. [16]

In view of the dynamic and competitive nature of this market, Galileo sees no justification for extending CRS-type regulation to Internet travel services. Galileo is not aware of any evidence that Internet sites with multi-carrier booking functions are using display preferences.[17] Indeed, some Internet sites allow each user to configure the display of the results of a particular search to reflect individual

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16 *See* http://www.orbitz.com/aboutus_promises.html.

17 Single carrier sites arrange the information they provide to favor that carrier. However, consumers who visit a site plainly labeled with a carrier's name presumably do not expect unbiased information.

preferences, giving display priority to low prices, for instance, or to direct flights, or to time of departure, as the user may choose.

Internet services operate in a fluid marketplace with evolving technologies and many different competitors. Users, whether travel agents, other businesses, or consumers, that are unhappy with the information or functionality they receive from one site or service may switch to another almost instantaneously and without cost, and may easily consult more than one service for any given search.

Moreover, Internet-based commerce is in its early stages, and is still changing rapidly. The distribution of air travel on the Internet is likely to evolve in ways that the Department cannot predict with confidence. To prescribe regulations at this point is more likely to stifle technological development, impose unnecessary costs, and dampen the efficiency benefits of Internet commerce, than to prevent any hypothetical harm to consumers. Moreover, the Department has substantial authority to address unfair or deceptive behavior on a case-by-case basis with its enforcement powers under Section 411, 49 U.S.C. § 41712. That approach is more appropriate to the rapidly changing Internet sector than regulation.

Finally, some have expressed concerns about the Orbitz joint venture of five major airlines. Public information concerning this combination of major carriers raises some serious questions about its potential for unfair advantages. For example, it appears that these competitors intend to use most favored nations clauses to limit the distribution of certain fares. Similarly, the Orbitz "partners" could inappropriately restrict information or participation in other systems and sources in order to favor Orbitz, or tie airline benefits to the use of Orbitz in some way. Orbitz could also provide an unfair opportunity for the owners to exchange information about Orbitz customers and about their airline operations.

In view of these concerns, Galileo believes the Department should scrutinize Orbitz operations carefully. Concerns about Orbitz and the practices of the Orbitz carrier partners, however, do not provide a basis for broad-based regulation of Internet services. Instead, concerns about the possible harms described above, or about biased information or functionality, can be addressed by regulating carrier practices directly.

C. The most important point, however, is that regulation must be even-handed and apply equally to all competitors. If any regulations are to be extended to Internet distribution, therefore, those regulations must be imposed on a uniform basis, so that Galileo can compete on a level playing field. As noted above, while there is little justification for most CRS regulation, Galileo does not object to having the existing rules continue. But TRIP.com and other Galileo services provided over the Internet should not be subjected to regulation if Galileo's Internet competitors do not face the same restrictions. In particular, Galileo's Internet-based services should not face restrictions that competing Internet services do not face simply because Galileo also operates a CRS, or because airlines hold minority ownership shares in Galileo. There is no justification for such a distinction. Galileo's Internet services present no greater likelihood of harm to competition or consumers than the services offered by other Internet competitors.

The harm of regulation that would apply to some, but not all, Internet providers is easy to see. For example, travel-related Internet providers, like most other retail e-commerce sites, must forge partner relationships with portal sites, news sites, and special-interest sites. Such arrangements create new synergies and bring new users to the service. In addition, a company may select one Internet provider to become its primary provider of Internet travel services for its business travel. In an evolving marketplace, an Internet provider like Galileo must have the same flexibility as its competitors to reach agreements with potential partners and customers.

Building upon its decades-long experience with electronic transactions, and with the large databases and computer networks that are necessary for reliable service, Galileo can bring significant efficiency benefits to travelers, to carriers and to travel agents with innovative Internet services. This will continue as long as the rules, if any, apply evenhandedly.

CONCLUSION

Galileo encourages the Department to avoid unnecessary or inappropriate regulation of either the CRS business or Internet services. Most importantly, any regulation must be even-handed, so that Galileo can compete on the same basis as other participants in similar lines of business.

Respectfully submitted,

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September 22, 2000

NORTHWEST AIRLINES

KLM Royal Dutch Airlines

Northwest Airlines, Inc
Regional Headquarters

2000

Dear

It was a pleasure to speak with you on , 2000. Thank you for the time you gave me.

During our conversation I was disappointed to learn that was moving from WorldSpan to the Apollo reservation system for all your companies reservations. After recent inquires from your company regarding what the benefits of WorldSpan are versus Apollo CRS, NWA made a compelling case of WorldSpan benefits. Also, from WorldSpan offered another opportunity and reason for to continue to use WorldSpan for all company travel. The offer was for your company to participate in a lucrative Corporate Incentive Program that would financially reward your company based on annualized segment goal.

The economics Northwest partnership contract between took into consideration that you were on WorldSpan. This is because our segment fees are less expensive on WorldSpan (35% ownership) then other CRS providers. Northwest Airlines then passes these savings onto our partners thus creating a win/win relationship. Your change in CRS systems has changed our economics of the program.

It is my understanding your new Travel Management firm will start providing Apollo reservations to , on , 2000. Please note on . 2000 the revised discounts will go into effect and this will serve as your 30-day notice. I have enclosed an addendum to the current contract that will need to be signed and returned to me, no later then , 2000 reflecting the adjusted discounts.

, I intend to continue to provide quality service to you and your Travel Company for any of your Northwest purchases. Please feel free to call me anytime regarding this or any other issues.

Sincerely,

Sr. Sales Manager, Corporate and Agency Sales

REDACTED

EXHIBIT A

NORTHWEST AIRLINES   KLM Royal Dutch Airlines

AMENDMENT NO. 1

THIS AMENDMENT NO. 1 made and entered into the day of , 2000 by and between Northwest Airlines, Inc. a Minnesota corporation ("Northwest") and

WITNESSETH:

WHEREAS, Northwest and entered into a Preferred Carrier Agreement, dated (the "Agreement"); and

WHEREAS, the parties desire to modify the Agreement as herein set forth.

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree to make the following revisions to the Agreement:

Attachment I, page 1, the following performance requirements and incentives should be adjusted effective , 2000.

Quarterly Passenger Segment Goals	Full Fare: Frontend Disc. To/from DTW MEM or MSP	Full Fare: Frontend Disc. All Other Markets	Backend Incentive
Domestic			
International Transpacific			
Transatlantic			

Except as otherwise expressly amended hereby, the terms and conditions of the Agreement shall continue in full force and effect.

IT WITNESS WHEREOF, the parties have duly executed this Amendment as of the day and year first above written.

NORTHWEST AIRLINES, INC.

BY:____________	BY:____________
	Regional Sales Director
Dated:____________	Dated:____________

EXHIBIT B

American Airlines®

2000

REDACTED

Re: Corporate Travel Agreement between ("Customer") and American Airlines, Inc. ("American")

This Corporate Travel Agreement (this "Agreement") will confirm the understanding between Customer and American regarding travel by Customer's employees on company business.

1. Term and Termination. This Agreement will be valid for travel commencing 2000, through 2002, unless terminated earlier by either party in accordance with the terms hereof. Either party may terminate this Agreement for any reason, with or without cause, upon at least thirty (30) days' prior written notice to the other party. In the event of a breach or default by a party hereto, the other party may terminate this Agreement upon giving at least three (3) days' prior written notice to the breaching party or defaulting party. Customer will not be entitled to receive any discount and/or credit on any tickets issued for travel on or after the effective date of termination or expiration of this Agreement. If American terminates or reduces service to any city that is covered by this Agreement, this Agreement shall be automatically amended to exclude such city or to reflect such reduction, without liability to any party, and this Agreement will continue in full force and effect as to the cities and service not affected by such termination or reduction.

3. Discount and/or Travel Credits. Customer will be entitled to a discount and/or a travel credit, as applicable, subject to the terms and conditions set forth in the Appendice(s) hereto.

8. SABRE Computer Reservation System. Customer agrees that all purchases pursuant to this Agreement will be booked and ticketed by Customer or an Agency of Record through the SABRE computer reservation system. If, during the course of an audit, it is found that SABRE was not used in accordance with this Agreement, Customer agrees to pay for the cost of the audit as well as a fee of $12.00 per booking made not using SABRE.

10. This Agreement is not valid until fully executed by all parties and countersigned at American Airlines Corporate Headquarters. If all signatures are not obtained within ninety (90) days of the date first written above, the terms and conditions specified herein are null and void.

AMERICAN AIRLINES, INC.

By: ______________________
Name:
Title:

CONFIRMED:

By: ______________________
Name:
Title:
Date: ______________________

By: ______________________
American Airlines - Corporate Headquarters
Corporate Sales Specialist
Date: ______________________

CERTIFICATE OF SERVICE

I hereby certify that on this 22d day of September, 2000, I caused copies of the foregoing Comments of Galileo International, L.L.C. in Response to Supplemental Advance Notice of Proposed Rulemaking to be sent by first class mail, postage prepaid, to those named on the attached Service List.

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Carolyn F. Corwin

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